EXHIBIT B

KLD's Investment approach to capital appreciation

In general KLD Clients fall into three investment objective categories:

- **Capital Appreciation**
- **Capital Appreciation and Income**
- **Income**

Since most clients fall into either the “capital appreciation” or “capital appreciation and income” categories, I want to explain my philosophy and investment style that is directed toward generating capital appreciation.

I believe that, primarily, small or mid-sized companies offer the best potential for investment gains over the longer term. That belief is based on over 25 years of investment experience and considerable success...especially through the bear market that began in March of 2000 and has lasted until this writing (Feb 24, 2003) For the 3 year period of January 1, 2000 through December 31, 2002 a compilation of KLD clients seeking capital appreciation enjoyed a **double digit** annualized rate of return. Having said that, I have to say that I will purchase a large cap company from time to time because of a unique reason.

The once small companies of yesteryear that have withstood the tests of time and have become the institutional names of today have also matured. They have probably slowed, have become more bureaucratic and, in many cases, more difficult to analyze. Investment potential, therefore, has declined.

I believe in investing in small to mid-sized companies with a niche’ position in a particular business sector. There should also be a “catalyst reason” to motivate the purchase of a stock at the right price. That catalyst may be projected dynamic growth in a business sector or it may even be anticipated recovery from a particular event or sector trend. A “value” style is prevalent in making an investment decision. Also, I look for companies that have the potential to grow earnings and cash flow at a rate of 15%(+) per year for the next 3 years...and beyond. My experience has shown that the stock prices of those companies will, likewise, reflect appreciation. I look to purchase a particular equity when the price earnings ratio is below the next 12 months' earnings growth rate. There are other criteria, but space here won't allow me to elaborate.

Research at KLD is conducted independently. Personal contact is conducted with prospective companies. In many cases, I conduct personal visits to these companies to “get a feel “ for the candor of the executives. I have long felt that quality and amount of information is better achieved by a personal visit. A personal visit also establishes rapport. I have found that relying on other institutional research can be useful only to the extent that certain information can be useful. Many times, out dated information and wrongly calculated

conclusions by other analysts will lay a trap. In the end, independent thinking has helped me make the most profitable investments.

Researching small companies, many times, uncovers a bonus in that there is less small company coverage by analysts. I remember one experience I had when I asked a company CFO how many analysts were covering his company. He said he was looking at the analyst. In this particular case, the company was suffering from short term problems and the stock prices had plummeted. Should the clouds subside, however, I could see substantial potential. Since the company had been abandoned by analysts, I had time to build a substantial position for my clients. The stock quadrupled in 2 1/2 years. This was a rare experience, I admit, but it brings home my point.

Buying small company stocks may involve more risk commensurate with potential for greater gain. This is true because the shares of these companies may be more thinly traded. (i.e., more volatile). Relying on the talents of certain executives in a small company is more critical and, therefore, potentially more impactful. For these reasons, patience may be required over several years in order that full appreciation may be realized.

The turnover rate of stocks at KLD has been under 25% per year. That's a very low rate in today's stock management arena. That low rate will probably also involve stocks that have a long-term capital gain.

The **selling point** for a stock is reached when the stock is fully priced relative to the earnings on when the fundamentals of the stock or the sector in which it's in projects deterioration. Another reason to sell a stock may be because the stock, as a percent of the portfolio, becomes to great. A stock, as it appreciates, may become 15, 20 or 25% of a portfolio and may need to be pared back.

Diversification in a KLD portfolio seeking appreciation involves using cash, perhaps using some no-load mutual funds and some individual stock positions. The initial stock position may be 4% of the portfolio. The position may increase if conviction increases. Cash can be a useful tool in protecting the portfolio and as a reserve to take advantage of buying opportunities. No-load mutual funds can be used to increase diversification via use of index funds or use of well managed small or mid-cap funds under certain market conditions. I those accounts seeking capital appreciation and income, bonds may be used, too.

Allocation (%of cash, stocks, etc.that comprise the portfolio) is crucial because of changing market conditions. For instance, wouldn't it be wise to utilize mostly cash to protect principal in a declining stock or bond market? Of course it would. Actually identifying when a declining market is about to occur is the tricky part. In such a situation management has the opportunity to prove itself by utilizing successful allocation. While emphasis is placed on individual stock (bottoms up) selection, so KLD may over allocate, or overweight, if especially high return is expected by that particular stock.

High expenses can have a severe negative impact on investment return. KLD minimizes expenses to help enhance positive net gains. The use of discount brokerage, low trading turnover, no-load and tax efficient mutual funds, reduces fees and tax expenses.

In closing, I want to emphasize that during the past 3 years (January 2000 through December 31, 2002) money has been lost due to poor stock diversification (poor choices of individual stocks and business sectors), portfolio allocation (poor distribution of money between cash, stocks and bonds) **That did not happen at KLD**.

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